

## Message Text

SECRET

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ACTION NODS-00

INFO OCT-01 ISO-00 /001 W  
-----291859Z 031458 /50  
O 291846Z MAR 77  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC IMMEDIATE 6946

S E C R E T SECTION 01 OF 02 BONN 05584

NODIS

DEPARTMENT PLS PASS MOSCOW FOR SECRETARY

E.O. 11652: GDS  
TAGS: MNUC, TECH, GW, FR  
SUBJECT: FRG-BRAZIL NUCLEAR DEAL

REF: STATE 67182

1. CHANCELLOR SCHMIDT COMMENTED AT SOME LENGTH REGARDING FRG-BRAZIL NUCLEAR DEAL AND US STANCE TOWARD IT WHEN I CALLED ON HIM MARCH 29 ON ANOTHER MATTER. FOLLOWING WERE HIGHLIGHTS OF CHANCELLOR'S REMARKS.

2. CHANCELLOR SPOKE IN FAMILIAR TERMS OF NECESSITY FOR FRG TO LIVE UP TO ITS AGREEMENTS AND HE PLACED THIS IN BROADER CONTEXT OF NEED FOR PEOPLE OF FRG TO RESPECT THEIR GOVERNMENT AND TO KNOW THAT GOVERNMENT WILL ADHERE TO ITS LEGAL AND TREATY OBLIGATIONS.

3. CHANCELLOR STRESSED THE BROAD, UNITED SUPPORT WHICH FRG GOVERNMENT HAS CONCERNING ITS STAND ON THE BRAZIL DEAL FROM ALL SIGNIFICANT ELEMENTS OF  
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SOCIETY, INCLUDING GOVERNING COALITION, OPPOSITION PARTIES, TRADE UNIONS AND BROAD MASS OF PUBLIC. HE SAID THIS IS FACT WHICH CANNOT BE IGNORED.

4. CHANCELLOR ALSO MENTIONED ECONOMIC ASPECTS OF FRG-BRAZILIAN DEAL, SAYING THAT CANCELLATION OF AGREEMENT AND FAILURE TO EXPORT REACTORS TO BRAZIL

COULD CAUSE LOSS OF THOUSANDS OF JOBS IN FRG. MORE-  
OVER, IF FRG REACTORS ARE NOT SOLD TO BRAZIL,  
PROSPECTS OF SELLING REACTORS IN FUTURE TO OTHER  
COUNTRIES WILL BE ZERO. THIS COULD HAVE DISASTROUS  
EFFECT ON SEGMENT OF TECHNOLOGICALLY ADVANCED  
INDUSTRY INTO WHICH FRG HAS POURED BILLIONS OF  
DOLLARS.

5. WHEN I COUNTERED THAT, AS WE HAVE MADE CLEAR ON  
MANY OCCASIONS, US DOES NOT STAND IN WAY OF EXPORT  
OF FRG REACTORS TO BRAZIL BUT IS CONCERNED ONLY WITH  
TRANSFER OF SENSITIVE TECHNOLOGY, CHANCELLOR SAID HE  
UNDERSTOOD OUR POSITION BUT THAT IT WAS NOT REALISTIC;  
FRG-BRAZIL DEAL CONSTITUTES A WHOLE AND CANNOT BE  
IMPLEMENTED IF ONE PART OF IT IS DISCARDED.

6. I EMPHASIZED OUR DESIRE TO ACHIEVE A MUTUALLY  
SATISFACTORY SOLUTION OF THE PROBLEMS CONCERNING THE  
FRG-BRAZIL ARRANGEMENT AND SAID THAT OUR IMMEDIATE  
OBJECTIVE IS TO INDUCE BRAZIL SERIOUSLY TO CONSIDER  
THE PROPOSALS WE HAVE MADE (REFTEL). IF BRAZIL  
AND WE CAN MOVE TOWARD AN ACCEPTABLE SOLUTION THEN,  
AS DEPUTY SECRETARY CHRISTOPHER HAD SAID TO  
AMBASSADOR VON STADEN, WE SHOULD DISCUSS WHETHER US  
POLITICAL OBJECTIONS TO ISSUANCE OF FRG EXPORT  
LICENSES ARE BEING RESOLVED. IN THIS CONNECTION, I  
REFERRED TO EMBASSY'S ON-GOING DISCUSSIONS WITH  
FOREIGN OFFICE REGARDING PROVISION OF DETAILED  
INFORMATION CONCERNING THE LICENSES TO ASSIST US IN  
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OUR CONSIDERATION OF THEM; PENDING SUCH CONSIDERATION,  
WE EXPECTED THAT NO ACTION WOULD BE TAKEN TO ISSUE  
THE LICENSES. CHANCELLOR SCHMIDT SAID "THERE WILL  
BE TIME TO CONSIDER" AND HE CONFIRMED THAT THIS WAS  
A MATTER HE WISHED TO DISCUSS WITH THE SECRETARY AND  
WITH THE PRESIDENT. HE STATED, HOWEVER, THAT FRG  
WAS UNDER CONTINUING, HEAVY PRESSURE FROM BRAZIL  
TO ISSUE THE LICENSES.

7. CHANCELLOR COMMENTED THAT BRAZIL COULD HAVE A  
LEGAL CASE TO TAKE FRG FIRMS TO COURT FOR NON-  
FULFILLMENT OF CONTRACT IF THERE WERE CONTINUED DELAY  
IN ISSUANCE OF LICENSES. HE DID NOT EXPECT BRAZIL  
TO PRESS MATTERS THIS FAR, BUT IT WAS SOMETHING TO  
THINK ABOUT. IF MATTERS CAME TO COURT PROCEEDINGS,

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INFO OCT-01 ISO-00 /001 W  
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HE ASKED WHAT EXPLANATION COULD THE FRG GIVE AS TO WHY LICENSES HAD NOT BEEN ISSUED: COULD IT SAY THAT THIS WAS BECAUSE THE US HAD TOLD THE FRG NOT TO DO IT? OBVIOUSLY, THIS WOULD NOT BE ACCEPTABLE, BUT IT WAS INDICATIVE OF THE PROBLEMS INHERENT IN THE SITUATION.

8. AS HE HAS ON PREVIOUS OCCASIONS, CHANCELLOR COMPLAINED THAT HE HAS YET TO RECEIVE "WIDE RANGE OF ALTERNATIVE SOLUTIONS" CONCERNING DEAL WITH BRAZIL WHICH HAD BEEN PROMISED BY PRESIDENT. WHEN I SAID THAT, IN FACT, ALTERNATIVES HAD BEEN PRESENTED BY DEPUTY SECRETARY CHRISTOPHER AND MENTIONED SEVERAL OF THEM, SCHMIDT ACKNOWLEDGED THIS WAS TRUE; HOWEVER, HE FELT THESE WERE INSUFFICIENTLY PRECISE AND WERE SHORT OF WHAT HE HAD BEEN LED TO EXPECT IN TERMS OF CLEAR-CUT PROPOSALS.

9. CHANCELLOR MENTIONED SOVIET DEMARCHE ON FRG-BRAZIL DEAL, WHICH HE SAID HAD BEEN ALONG SIMILAR LINES TO US OBJECTIONS, "ALTHOUGH SOMEWHAT SOFTER." HE SAID HE DEEPLY REGRETTED SOVIET ACTION AND THAT IT ADDED TO COMPLICATIONS OF HIS POSITION. I ASSURED CHANCELLOR THAT SOVIET MOVE HAD BEEN MADE WITHOUT CONSULTATION WITH US.

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10. AS PREVIOUSLY, SCHMIDT COMPLAINED OF EXCESSIVE AMOUNT OF PRESS SPECULATION ABOUT BRAZILIAN DEAL, MUCH OF WHICH HE FELT STEMMED FROM BACKGROUNDING IN US. I TOLD HIM THIS WAS NOT THE CASE AND SAID WE AGREED THAT PRESS SPECULATION WAS UNDESIRABLE.

11. CONCLUDING, CHANCELLOR SAID HE WISHED TO DEAL FORTHRIGHTLY AND SINCERELY WITH PRESIDENT ON THE WHOLE ISSUE OF THE FRG-BRAZIL AGREEMENT. HE UNDERSTANDS SERIOUSNESS OF US CONCERNS AND IS ANXIOUS HIMSELF TO FIND AN ACCEPTABLE SOLUTION. HE LEFT NO DOUBT, HOWEVER, THAT HE SEES HIMSELF UNDER INCREASING PRESSURE AND FEELS THAT FRG IS BEING BACKED INTO A CORNER FROM WHICH IT WILL BE DIFFICULT TO ESCAPE. HE IS DEEPLY CONCERNED ABOUT EFFECTS OF THIS SITUATION ON THE US-FRG RELATIONSHIP AND HE LOOKS FORWARD TO DISCUSSING THIS WITH SECRETARY VANCE WHEN LATTER COMES TO BONN. STOESEL

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